

Financial Statements  
(Expressed in thousands of dollars)

**BRITISH COLUMBIA'S CHILDREN'S  
HOSPITAL FOUNDATION**

Year ended March 31, 2019



KPMG LLP  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada  
Telephone (604) 691-3000  
Fax (604) 691-3031

## INDEPENDENT AUDITORS' REPORT

To the Members of British Columbia's Children's Hospital Foundation

### Report on the Financial Statements

#### *Opinion*

We have audited the financial statements of British Columbia's Children's Hospital Foundation (the "Foundation"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Legal and Regulatory Requirements**

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding period.

*KPMG LLP*

Chartered Professional Accountants

Vancouver, Canada

June 18, 2019

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Statement of Financial Position  
(Expressed in thousands of dollars)

March 31, 2019, with comparative information for 2018

	2019	2018
<b>Assets</b>		
Current assets:		
Cash (note 3)	\$ 44,181	\$ 31,229
Accounts receivable (note 9(a))	2,515	2,446
Prepaid expenses and other	244	113
Investment in lottery prize homes	2,626	271
	<u>49,566</u>	<u>34,059</u>
Capital assets (note 4)	138	93
Other assets	427	401
Investments (notes 3 and 5)	321,975	303,811
Vancouver Foundation capital fund (note 6)	-	1,443
	<u>\$ 372,106</u>	<u>\$ 339,807</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 7,641	\$ 7,068
Due to BC Children's Hospital, a program of Provincial Health Services Authority (note 9(c))	148,353	119,746
Deferred revenue	307	320
	<u>156,301</u>	<u>127,134</u>
Net assets:		
Unrestricted fund	5,751	5,789
Internally restricted fund	87,506	98,794
Externally restricted fund	4,943	4,404
Endowment fund	117,605	103,686
	<u>215,805</u>	<u>212,673</u>
Commitment (note 5)		
Contingency (note 14)		
	<u>\$ 372,106</u>	<u>\$ 339,807</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Statement of Operations and Changes in Net Assets  
(Expressed in thousands of dollars)

Year ended March 31, 2019, with comparative information for 2018

	Unrestricted fund	Internally restricted fund	Externally restricted fund	Endowment fund	2019	2018 (recast - note 2(g))
<b>Revenue:</b>						
Fundraising	\$ 35,291	\$ -	\$ 31,990	\$ 1,379	\$ 68,660	\$ 59,319
Lottery	-	-	25,298	-	25,298	24,871
Sunshine Fund for Kids and Causes (note 8(b))	-	-	-	-	-	2,269
Investment income (note 10)	12,777	-	4,774	-	17,551	19,253
Vancouver Foundation income (note 6)	1,009	-	249	31	1,289	779
Gross revenue	49,077	-	62,311	1,410	112,798	106,491
Gain on sale of lottery prize home	-	-	-	-	-	250
Cash surrender value adjustment on other assets	30	-	-	-	30	29
Net revenue	49,107	-	62,311	1,410	112,828	106,770
<b>Expenses:</b>						
Direct fundraising costs	12,846	-	-	-	12,846	12,159
Foundation administration	5,762	-	-	-	5,762	5,521
Lottery	-	-	16,826	-	16,826	16,535
Public relations and community awareness	2,749	-	-	-	2,749	2,628
	21,357	-	16,826	-	38,183	36,843
Excess of revenue over expenses before undernoted	27,750	-	45,485	1,410	74,645	69,927
Fair value adjustment on investments	(4,437)	-	-	(470)	(4,907)	(353)
<b>Contributions provided to:-</b>						
BC Children's Hospital, a program of Provincial Health Services Authority (note 9(c))	(22,981)	-	(41,519)	(648)	(65,148)	(49,665)
Sunny Hill Foundation for Children (note 9(a))	(904)	-	-	-	(904)	(813)
External grants	(554)	-	-	-	(554)	(205)
	(24,439)	-	(41,519)	(648)	(66,606)	(50,683)
Excess (deficiency) of revenue over expenses	(1,126)	-	3,966	292	3,132	18,891
Net assets, beginning of year	5,789	98,794	4,404	103,686	212,673	193,782
Interfund transfers (note 11)	1,088	(11,288)	(3,427)	13,627	-	-
Net assets, end of year	\$ 5,751	\$ 87,506	\$ 4,943	\$ 117,605	\$ 215,805	\$ 212,673

See accompanying notes to financial statements.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

## Statement of Cash Flows

(Expressed in thousands of dollars)

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 3,132	\$ 18,891
Items not involving cash:		
Net realized gains on investments, including		
Vancouver Foundation capital fund	(8,210)	(12,584)
Unrealized losses on investments	4,907	353
Gain on sale of lottery prize home	-	(250)
Amortization	28	25
Cash surrender value adjustment on other assets	(30)	(29)
	(173)	6,406
Changes in non-cash operating working capital:		
Accounts receivable	(69)	911
Prepaid expenses and other	(127)	(25)
Accounts payable and accrued liabilities	573	(210)
Due to BC Children's Hospital, a program of Provincial		
Health Services Authority	28,607	(29,217)
Deferred revenue	(13)	(54)
	28,798	(22,189)
Investing activities:		
Redemption (purchase) of investments, net	(14,861)	29,333
Purchase of capital assets	(73)	(32)
Proceeds from sale of lottery prize home	-	2,240
Redemption of Vancouver Foundation capital fund, including		
realized gains	1,443	490
Purchase of lottery prize homes	(2,355)	(272)
	(15,846)	31,759
Increase in cash	12,952	9,570
Cash, beginning of year	31,229	21,659
Cash, end of year	\$ 44,181	\$ 31,229
Supplementary information:		
Non-cash transactions:		
Life insurance policy and investments contributed by		
Sunshine Fund for Kids and Causes (note 8(b))	\$ -	\$ 2,269

See accompanying notes to financial statements.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2019

---

## 1. Nature of operations:

British Columbia's Children's Hospital Foundation (the "Foundation") is incorporated under the laws of British Columbia and transitioned to the new Societies Act (British Columbia) on January 10, 2017.

The Foundation promotes the development of child health care, in particular at the BC Children's Hospital, a program of the Provincial Health Services Authority (the "Hospital"), by providing financial support for the development of research, patient care and education, and the purchase of equipment and facilities.

The Foundation is a charitable organization registered under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met, and is able to issue donation receipts for income tax purposes.

## 2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook - *Accounting*. The significant accounting policies are as follows:

### (a) Fund accounting and revenue recognition:

In order to ensure observance of the limitations and restrictions placed on the use of resources available, the Foundation follows the restricted fund method of accounting for contributions. Under this method, unrestricted contributions are recognized as revenue of the unrestricted fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions and investment income are recognized as revenue of the externally restricted fund to which they relate. Endowment contributions are recognized as revenue of the endowment fund. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors (the "Board").

Transfers between the funds are made when it is considered appropriate and authorized by the Board. To meet the objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded in the statement of operations and changes in net assets.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2019

---

## 2. Significant accounting policies (continued):

### (a) Fund accounting and revenue recognition (continued):

For financial reporting purposes, the accounts have been classified into the following funds:

#### (i) Unrestricted fund:

The unrestricted fund comprises donations that are not specifically designated by donors, as well as investment income earned that is not externally restricted by donors for a specific purpose. All fundraising and administrative costs are charged to the unrestricted fund, regardless of which fund the resulting donations were directed to by the donor.

#### (ii) Internally restricted fund:

From time to time, the Board may impose certain restrictions on fund balances. These amounts are presented in the statements of financial position and operations and changes in net assets as internally restricted funds. These funds include internally restricted endowment funds and net unrealized gains on unrestricted investments. The investment income earned on the funds will be used to pay operational costs of the Foundation. These internally restricted amounts are not available for other purposes without approval of the Board.

#### (iii) Externally restricted fund:

The externally restricted fund comprises funds for which the purposes have been specifically designated by donors, funds raised through the Foundation's annual lotteries, restricted income received from the Vancouver Foundation and the restricted investment income earned on the endowment funds held by the Foundation. These funds include those which are restricted for use in research, patient care and other designated areas of the Foundation's support contribution activities.

#### (iv) Endowment fund:

The externally restricted endowment fund comprises donations that are permanently maintained in accordance with donor wishes and recapitalized investment income relating to external donor endowments.

Investment income that can be recapitalized into the endowment fund is determined based on the difference between actual investment income earned and a distribution percentage, as approved by the Board annually, and is recorded as an interfund transfer from the externally restricted fund to the endowment fund.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2019

---

## 2. Significant accounting policies (continued):

### (b) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value. Capital assets are amortized on a straight line basis over the assets' estimated useful lives as follows:

Assets	Years
Computer equipment	3
Office equipment and furniture	5

### (c) Other assets:

The Foundation is the named beneficiary for various life insurance policies for which the respective donors have agreed to pay the life insurance premiums on behalf of the Foundation. The life insurance policies are irrevocable. The Foundation measures the asset and revenues recognized based on the insurance policies' cash surrender value. The Foundation records tax receipted insurance premiums paid on the policies as fundraising revenue with an adjustment recorded to revenues to bring the asset value to the cash surrender value.

### (d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry all its investments, which include short-term deposits, notes, and investment certificates, bonds, and equities, at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets carried at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2019

---

## 2. Significant accounting policies (continued):

- (e) Contributions to BC Children's Hospital, a program of Provincial Health Services Authority:

Contributions provided to the Hospital as recorded within the statement of operations and changes in net assets, and the resulting amount due to the Hospital, represent a non-reciprocal, irrevocable obligation of the Foundation.

- (f) Deferred revenue:

Deferred revenue represents sponsorship monies received in advance of related events and externally restricted contributions for which an externally restricted fund does not exist.

- (g) Contributed materials and services:

Effective April 1, 2019, the Foundation changed its accounting policy to no longer recognize contributions of materials in the financial statements. This change has been adopted on a retroactive basis with the impact to the previously presented 2018 comparative figures of reducing both fundraising revenues and direct fundraising expenses by \$778,000.

A substantial number of volunteers and corporate supporters contribute a significant amount of their time and services to the Foundation each year. Because of the difficulty in determining their fair value, the value of contributed services are not recognized in the financial statements.

- (h) Use of estimates:

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

- (i) Employee future benefits:

The employees of the Foundation are members of a multi-employer defined benefit plan and accordingly, contributions are expensed as incurred (note 13).

- (j) Investment in lottery prize homes:

Investment in lottery prize homes is recorded at the cost of acquisition. At each reporting date, the investment in lottery prize homes is reviewed to assess whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment, if any.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2019

## 2. Significant accounting policies (continued):

(k) Allocation of expenses:

(i) Direct fundraising costs:

Direct fundraising costs include direct internal costs relating to fundraising activity, event expenses, and third party fundraising program costs.

(ii) Foundation administration and public relations and community awareness expenses:

All expenses related to general management and administrative activities are expensed in the period in which they are incurred as Foundation administration expenses. All expenses related to public relations and marketing are expensed in the period in which they are incurred as public relations and community awareness expenses.

Foundation administration and public relations and community awareness expenses are not allocated to direct fundraising costs related to fundraising and event activities.

## 3. Restricted cash and investments:

Included in cash is \$9,452,000 (2018 - \$8,889,000) that is restricted related to its lotteries as required under the BC Gaming licences. Included in investments is \$6,000,000 (2018 - \$5,540,000) that is held as security for the Foundation's lottery activities.

## 4. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 199	\$ 130	\$ 69	\$ -
Office equipment and furniture	275	206	69	93
	\$ 474	\$ 336	\$ 138	\$ 93

## 5. Investments:

Investments are comprised of the following:

	2019	2018
Short-term deposits, notes and investment certificates	\$ 6,094	\$ 113
Bonds	86,638	83,744
Equities	213,494	217,667
Private debt, infrastructure and real estate	15,749	2,287
	\$ 321,975	\$ 303,811

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2019

## 5. Investments (continued):

The yield for the year ended March 31, 2019, including realized gains and losses, was 5.00% (2018 - 6.26%), calculated on the basis of total investment income divided by the sum of the weighted average market value. This yield does not include unrealized gains and losses.

The Foundation has unfunded investment commitments relating to private debt, infrastructure and real estate investments that can be drawn on demand. The unfunded investment commitments are as follows:

	2019	2018
U.S dollars	\$ 7,391	\$ 9,309
Canadian dollars	24,135	14,228

Certain investments are restricted for endowments as follows:

	2019	2018
External, excluding Vancouver Foundation endowment	\$ 117,605	\$ 102,243
Internal (a)	67,687	77,555
	\$ 185,292	\$ 179,798

(a) The internally restricted endowment of \$67,687,000 (2018 - \$77,555,000) is presented within the internally restricted fund in net assets.

## 6. Vancouver Foundation capital fund:

The Foundation receives income from restricted funds held at the Vancouver Foundation. The Foundation's rights to the capital have certain restrictions and, accordingly, these funds are not reflected in these financial statements, except as described below. Funds held at the Vancouver Foundation for which the Foundation is the sole recipient of the income have a market value as at March 31, 2019 of approximately \$7,606,000 (2018 - \$8,922,000).

In fiscal 2018, \$1,443,000 of the funds held at the Vancouver Foundation related to the Children's Hospital Foundation Capital Fund (the "Capital Fund"). This Capital Fund was administered by the Foundation's Board of Directors. The Vancouver Foundation managed the investments in the Capital Fund but disbursements were at the absolute discretion of the Foundation's Board of Directors. As a result, the Foundation was deemed to control the Capital Fund and it has historically been reflected in these financial statements.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2019

---

## 6. Vancouver Foundation capital fund (continued):

In fiscal 2019, the Foundation requested the repatriation of the Capital Fund and 100% of the capital from this fund was withdrawn and disbursed to the Foundation.

All of the restricted funds of approximately \$7,606,000 (2018 - \$7,479,000) will remain with the Vancouver Foundation in perpetuity, with the income flowing to the Foundation. Hence, these funds are not reflected in these financial statements.

## 7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$339,000 (2018 - \$277,000), which includes amounts payable for payroll related taxes and contributions. At March 31, 2019, all federal payroll remittances payable are current.

## 8. Related entities:

### (a) Sunny Hill Foundation for Children:

On October 28, 2000, the Foundation and Sunny Hill Foundation for Children ("Sunny Hill") signed an operational agreement in which all fundraising and fund management activities of Sunny Hill would be run by the Foundation. The reason for the agreement was to better carry out the primary purpose of the two foundations of raising funds for the Hospital. All assets of Sunny Hill are managed by the Foundation. Sunny Hill remains a separate legal entity. Accordingly, the Foundation's financial statements exclude the financial position and operating results, including fundraising efforts, of Sunny Hill. The Foundation has committed to use best reasonable efforts to ensure that a minimum of \$1,354,000 (2018 - \$1,329,000) be provided by Sunny Hill to BC Children's Hospital, a program of Provincial Health Services Authority, each year specifically for child rehabilitation and developmental pediatrics, whether carried on at the Sunny Hill site or elsewhere. The commitment is adjusted annually for inflation.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2019

## 8. Related entities (continued):

### (a) Sunny Hill Foundation for Children (continued):

The following is a summary of Sunny Hill's financial position as at March 31 and results of operations and changes in net assets for the year ended March 31:

Financial position	2019	2018
Total assets	\$ 34,181	\$ 34,069
Total liabilities	\$ 6,013	\$ 5,920
Net assets:		
Unrestricted fund	246	246
Capital fund	20,000	20,000
Internally restricted fund	1,255	1,234
Endowment fund	6,667	6,669
	28,168	28,149
	\$ 34,181	\$ 34,069
Results of operations and changes in net assets	2019	2018
Revenue	\$ 1,631	\$ 1,654
Expenses	(53)	(73)
Fair value adjustment on investments	9	7
Contributions provided to BC Children's Hospital Foundation, a program of Provincial Health Services Authority	(1,568)	(1,509)
Excess of revenue over expenses	19	79
Net assets, beginning of year	28,149	28,070
Net assets, end of year	\$ 28,168	\$ 28,149

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2019

---

## 8. Related entities (continued):

### (b) Sunshine Fund for Kids and Causes:

Sunshine Fund for Kids and Causes ("SFKC") was incorporated federally on July 4, 2008 under the Canada Corporations Act and transitioned to the Canada Not-For-Profit Corporations Act in June 2014. SFKC was registered as a public foundation under the Income Tax Act and operated as a donor-advised fund that made gifts to the Foundation and other Canadian qualified donees. SFKC ceased operations effective March 31, 2018 and was deregistered during the 2019 fiscal year. Prior to ceasing operations in fiscal 2018, SFKC contributed \$2,269,000 to the Foundation, comprised of \$35,000 of life insurance policies and \$2,234,000 of investments. In addition, \$404,000 of net unrealized gains were transferred as part of the investment portfolio. SFKC was a separate legal entity. Accordingly, the Foundation's financial statements excluded the financial position and operating results, including fundraising efforts realized through SFKC.

## 9. Related entity balances and transactions:

### (a) Sunny Hill Foundation for Children:

The Foundation has no amounts due from Sunny Hill as at March 31, 2019 (2018 - \$167,000).

Under the operational merger agreement (note 8(a)), the Foundation manages the receipt of Sunny Hill's gift revenue and the cash flow needs of Sunny Hill, including, during the normal course of operations, transferring funds from the Foundation to Sunny Hill to fund Sunny Hill's expenses and contributions to BC Children's Hospital Foundation, a program of Provincial Health Services Authority.

During the year ended March 31, 2019, the Foundation provided contributions to Sunny Hill in the amount of \$904,000 (2018 - \$813,000).

### (b) Sunshine Fund for Kids and Causes:

Until it ceased its operations (note 8(b)), under an administrative services agreement, the Foundation managed the receipt of SFKC's gift revenue. There were no amounts due to or from SFKC as at March 31, 2019 (2018 - nil) and no contributions provided by SFKC to the Foundation during the year ended March 31, 2019 (2018 - \$2,673,000).

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2019

---

## 9. Related entity balances and transactions (continued):

(c) BC Children's Hospital, a program of Provincial Health Services Authority:

Contributions provided to the Hospital as recorded within the statement of operations and changes in net assets represent a non-reciprocal, irrevocable obligation of the Foundation. During the year ended March 31, 2019, the Foundation made contributions to the Hospital of \$65,148,000 (2018 -\$49,665,000). The amount due to the Hospital as at March 31, 2019 of \$148,353,000 (2018 -\$119,746,000) consists of costs incurred by the Hospital of \$19,728,000 (2018 - \$20,401,000), which are to be reimbursed by the Foundation, as well as contributions receivable from the Foundation of \$128,625,000 (2018 - \$99,345,000). The balance is non-interest bearing and has no specific repayment terms. The \$128,625,000 (2018 - \$99,345,000) is moved to a designated fund and is paid out as the Hospital draws down on the funds as spent.

The Foundation has a portion of its office located in premises provided on a rent-free basis by the Hospital. Rent for the year ended March 31, 2019 with a fair value of approximately \$783,000 (2018 - \$813,000) has not been recorded in the statement of operations and changes in net assets. If these facilities were unavailable on this basis, the Foundation would have to rent similar facilities from another landlord.

The Foundation also receives certain administrative services from the Hospital, including the use of accounting systems, payroll and benefit administration, housekeeping and information technology support. Because of the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

## 10. Investment income:

Investment income is comprised of the following:

	2019	2018
Interest and dividends	\$ 10,136	\$ 6,943
Net realized gains on investments	7,415	12,310
	\$ 17,551	\$ 19,253

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2019

## 11. Interfund transfers:

2019	Unrestricted fund	Internally restricted funds	Externally restricted fund	Endowment fund
Recapitalization of investment income from unrestricted fund to Internally restricted fund	\$ (649)	\$ 649	\$ -	\$ -
Recapitalization of investment income from externally restricted fund to endowment fund	-	-	(955)	955
Sundry grants transferred to endowment fund	(200)	-	(2,472)	2,672
Internal restriction of fair value adjustment on investments	4,437	(4,437)	-	-
Approved internal transfer to external endowment	-	(10,000)	-	10,000
Approved transfer to internally restricted endowment fund	(2,500)	2,500	-	-
	\$ 1,088	\$ (11,288)	\$ (3,427)	\$ 13,627

2018	Unrestricted fund	Internally restricted funds	Externally restricted fund	Endowment fund
Recapitalization of investment income from unrestricted fund to Internally restricted fund	\$ (1,160)	\$ 1,160	\$ -	\$ -
Recapitalization of investment income from externally restricted fund to endowment fund	-	-	(1,906)	1,906
Sundry grants transferred to endowment fund	-	-	(364)	364
Internal restriction of fair value adjustment on investments	2,054	(2,054)	-	-
Approved internal transfer to operating endowment	(5,000)	5,000	-	-
Approved transfer to internally restricted endowment fund	(7,000)	7,000	-	-
	\$ (11,106)	\$ 11,106	\$ (2,270)	\$ 2,270

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2019

---

## 12. Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to a Statement of Investment Objectives and Guidelines approved by the Board.

The Foundation's fixed-rate instruments are subject to fair value risks while floating rate instruments are subject to cash flow risks. The Foundation is exposed to interest rate risks as a result of investments in bonds and short-term deposits, notes and investment certificates.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation has investments in equity instruments and funds which are subject to risks arising from changes in market conditions.

The Foundation believes that it is not exposed to significant foreign currency, credit or liquidity risks arising from its financial instruments.

The risks associated with investments are managed through the Foundation's established investment policy. There has been no change in the risk exposure from 2018.

## 13. Employee pension plan:

The Foundation and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has approximately 197,000 active members and approximately 95,000 retired members. Active members include approximately 114 (2018 - 110) employees of the Foundation.

The most recent actuarial valuation as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits. The next valuation will be as at December 31, 2018 with results available in the fall of 2019. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan, in aggregate, with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The Foundation paid \$861,000 (2018 - \$792,000) for employer contributions to the Plan in fiscal 2019.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2019

---

## 14. Contingency:

On May 26, 2014, the Hospital, a program of the Provincial Health Services Authority, entered into a Lease Agreement (the "Lease") with The Children's Family House Society of B.C., operating as Ronald McDonald House British Columbia ("RMHBC"). The Lease grants RMHBC the use of land and the Ronald McDonald House constructed on that land for a term of 60-years.

At the same time, the Foundation entered into a Contribution Agreement (the "Agreement") with RMHBC. Under the Agreement, if the Lease is terminated under certain sections of the Lease, or upon the expiry of the lease term, the Foundation will pay to RMHBC, as at the effective date of the termination or expiry of the lease term, an amount equal to the fair market value of the premises, exclusive of the land, less any amount the Hospital is obligated to pay as per the Lease. Fair market value will be determined by agreement between the Foundation and RMHBC. As of March 31, 2019, the ultimate amount of the payment cannot be reasonably estimated. Hence no amount has been recorded with respect to this contingency.

## 15. Employee, contractor and director remuneration:

For the year ended March 31, 2019, the Foundation paid total remuneration of \$2,215,000 (2018 - \$2,166,000) to the top ten employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.

The Foundation did not pay any remuneration to any members of its Board of Directors.

## 16. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.